

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6312

BILL NUMBER: HB 1190

DATE PREPARED: Dec 2, 2000

BILL AMENDED:

SUBJECT: Cafeteria Plan for Retired State Employees.

FISCAL ANALYST: Alan Gossard

PHONE NUMBER: 233-3546

FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State

Summary of Legislation: This bill increases from \$5,000 to \$10,000 the maximum amount that may be deposited into a cafeteria plan on behalf of a participating retired state employee who has unused vacation, sick, or personal days. (The introduced version of this bill was prepared by the Pension Management Oversight Commission.)

Effective Date: July 1, 2001.

Explanation of State Expenditures: This bill increases the amount that may be deposited by retired state employees into a cafeteria plan based on unused vacation, sick, or personal days. A preliminary estimate of the impact of this provision is \$50,000 to \$100,000 annually. About 55% of this amount, on average (or \$28,000 to \$55,000), would be funded from the state General Fund with the balance funded through federal and dedicated funds.

Background: Currently, payment on behalf of an employee for unused leave time upon retirement is based on the hourly rate the employee was paid on the employee's retirement date times a fraction of the number of accrued, but unused, vacation, sick, and personal days. This fraction is determined by the following: (1) for an employee with at least 10 years but less than 15 years of creditable service, the fraction is 20%; (2) for an employee with at least 15 years but less than 20 years of creditable service, the fraction is 35%; and (3) for an employee with at least 20 years of creditable service, the fraction is 50%. The maximum amount that an employee is currently entitled to is \$5,000. This proposal increases the maximum to \$10,000.

This provision will have the greatest effect on those employees with relatively higher salaries and relatively higher amounts of accrued, but unused, leave time. However, the level of aggregation of the currently available data does not permit a very precise estimate of the impact. In order to obtain a preliminary estimate of the order of magnitude of the impact, a hypothetical distribution of employee salaries and accrued leave time was determined. Using this hypothetical distribution, a preliminary estimate of the total additional cost

of the provision is \$50,000 to \$100,000 annually. Because about 55% of state personnel expenditures are funded from the state General Fund with the balance funded from dedicated and federal sources, additional state General Fund costs are estimated to be between \$28,000 and \$55,000 annually.

[Note: More detailed data has been requested from the State Auditor's office. A more precise estimate will be provided when the requested data becomes available.]

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected:

Information Sources: State Auditor's Office.